



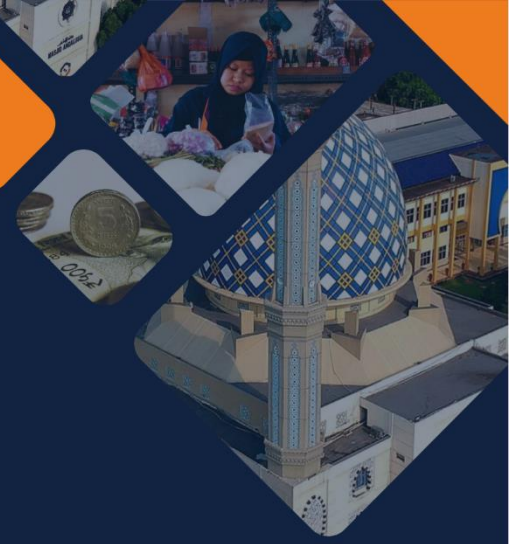
INSTITUT TAZKIA

Islamic Economics & Business • Law • Education

Tazkia Islamic University College

— Institut Agama Islam Tazkia —

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AICIF

ASEAN Universities International Conference on Islamic Finance

PROCEEDING

8th

November 24-26, 2020 AD
9-11 Rabiul Akhir 1442 H

“Islamic Finance’s Contribution to Sustainable of Human Development in Asean”

Co Host :



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INTERNATIONAL ISLAMIC UNIVERSITY MALAYSIA
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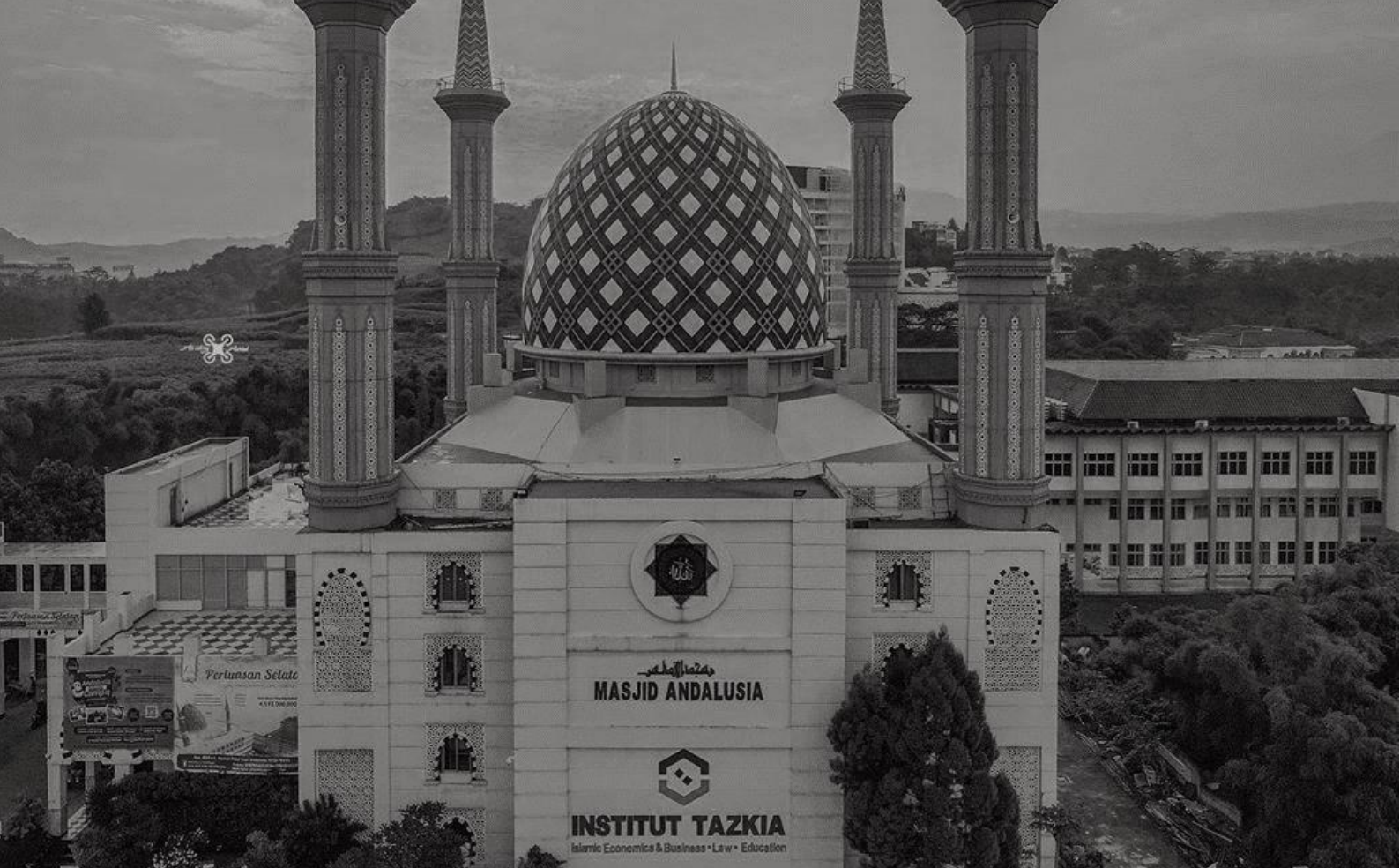


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Table of Contents

Table of Contents	i
Acknowledgement	vii
Rundown	ix
Islamic Finance's Contribution to the Helath Issues - Room A - Session 1	
Analysis of the Purpose of Islamic Law Against the Bazaar of Findings and Confiscated Items in the Clean Environment Section.....	1
BUILDING BRAND LOYALTY THROUGH CUSTOMER ENGAGEMENT OF BPJS HEALTHCARE	2
Resilience of Bruneian Economy Amidst Covid-19 Based on the United Nations Disaster Risk Reduction (UNDRR) Framework.....	3
Management and Development of Productive Endowments In The Hospital "Public Health Center (PKU) 'Aisiyyah" Boyolali City	4
Islamic Accounting and Governance - Room B - Session 1	
Analysis of Corporate Governance and Value Proposition on Baitul Maal wa Tamwil: Case Study BMT La Tansa Gontor	5
Auditors 's Perceptions on Shariah Audit Function: A Qualitative Approach.....	6
Effects of the Board of Director's Characteristics on Islamic Banks' Financial Soundness.....	7
CORPORATE PERFORMANCE ENHANCEMENT MODEL THROUGH WORKING CAPITAL EFFICIENCY ON THE PROFITABILITY AND SIZE OF COMPANY AS CONTROL VARIABLE.....	8
Political Stability and Human Development in the Organization of Islamic Cooperation (OIC) Countries.....	9
Fraud Identification Ability in the Effectiveness of the Role of Internal Auditors	10
Islamic Social Finance - Room C - Session 1	
التأصيل الشرعي للتصرف بالوديعة في المذهب المالكي وأثر ذلك على تكييف الحساب الجاري في المصارف الإسلامية	11
THE ROLE OF WAKAF AS SOCIAL FINANCING TOOLS TOWARDS STRENGTHENING ISLAMIC EDUCATION IN THE BANGSAMORO AREA, PHILIPPINES.....	12
Local Wisdom about Zakat in "Syair Nasihat" as a Welfare State System Development Alternative .	13
THE ANALYSIS OF PROBLEM IN DEVELOPING PRODUCTIVE WAQF BASED ON MASJID BY THE ANALYTIC NETWORK PROCESS (ANP) APPROACH METHOD	14
HOW IMPORTANT IS LITERACY IN ENHANCING CASH WAQF PARTICIPATION? EXPERIENCE OF BRUNEI DARUSSALAM	15
Poverty Alleviation Through Islamic Economic : A Case of Poto's Women.....	16

Islamic Social Finance - Room D - Session 1

استفادة أموال الوقف في معهد دار السلام كونتور: دراسة تحليلية بمنهج التحليل الشبكي 17

دراسة شرعية لممارسة الاحتكار وضرره على مجتمع ولاية نصرأوا نيجيريا 18

COMPLIANCE BEHAVIOR TOWARDS GIVING ZAKAT (ISLAMIC TAX) ON EMPLOYMENT INCOME: THE CASE OF SELECT MUSLIM EMPLOYEES OF MINDANAO STATE UNIVERSITY, MAIN CAMPUS 19

Role of Islamic Social Finance in Increasing Financial Literacy among Women Entrepreneurs: A Focus on Mompreneurs 20

A Preliminary Analysis on the Gap between *Zakah* Potential and Its Performance: Case of Indonesia 21

Islamic and Environmental, Social, and Governance (ESG) Portfolio: Evidence from Indonesia 22

Islamic Social Finance - Room E - Session 1

PROBLEM ANALYSIS ISLAMIC STOCK EXCHANGE IN INDONESIAN 23

Digital Asset and its Regulation in Malaysian Islamic Capital Market 24

Developing Islamic Green Stock Index in Indonesia: Issues and Prospects 25

ملخص الدراسة: معالجة التمايز الطبقي من خلال الزكاة دراسة تحليلية شرعية. 26

Model Design of Sociopreneurship: Development of SME Through Zakat Institution 27

***Waqaf Sukuk* Innovative Structures Using the Blockchain Technology: Its Role to Sustainable Food Security in post Covid-19 Pandemic..... 28**

Islamic Accounting and Governance - Room A - Session 2

Data Analytics Competencies And External Auditors’ Performance 29

CORPORATE PERFORMANCE ENHANCEMENT MODEL THROUGH WORKING CAPITAL EFFICIENCY ON THE PROFITABILITY AND SIZE OF COMPANY AS CONTROL VARIABLE..... 30

A STUDY OF TRANSFER PRICING PRACTICE WITHIN MULTINATIONAL ISLAMIC BANKING GROUPS 31

FACTORS AFFECTING AUDITOR PERFORMANCE IN PUBLIC ACCOUNTING FIRM IN SEMARANG 32

Islamic Business and Halal Economy - Room B - Session 2

Investigation of Halal Value Chain Research in Supporting The Achievement of The Indonesian Islamic Economic Master Plan..... 33

THE EMPOWERMENT CONTRIBUTION OF TOURISM INDUSTRY IN COMMUNITY WELFARE 34

Perceptions of Tourism Stakeholders Towards Potency of Islamic Tourism Development: Case Study of Ngebel Lake Ponorogo..... 35

EXPLORING THE DETERMINANTS OF AGRICULTURAL FOOD PRODUCTION TO ACHIEVING FOOD SECURITY IN MALAYSIA THROUGH ISLAMIC FINANCIAL INSTRUMENTS	36
The Impact Of Covid 19 To Millenials' Halal Preference and Consumption Behavior	37
Behavior Preferences Of The Muslim Millennial Generation (Gen-M) Towards Halal Financial Industry In Jabodetabek, Indonesia.....	38
Islamic Finance and Banking - Room C - Session 2	
FACTORS THAT DETERMINE THE PERFORMANCE OF BAITUL MAAL WAT TAMWIL (BMT) IN INDONESIA: AN EMPIRICAL STUDY	39
A Comparative Study of Real Estate Finance Using Islamic Financing Instruments Based on the Concept of Indebtedness in Palestine	40
HUMAN VALUE DEVELOPMENT OF SALES TEAM: AN EFFORT TO STRENGTHEN SHARI'A INSURANCE INSTITUTION.....	41
Does Islamic Banking Financing Contribute in Economic Stability	42
ISLAMIC FINANCIAL LITERACY PROFILE OF EMPLOYEES AND CUSTOMERS BAITUL MAAL WA TAMWIL DAARUT TAUHID BANDUNG	43
LEGAL STATUS OF DEWAN SYARIAH NASIONAL MAJELIS ULAMA INDONESIA (DSN-MUI) IN INDONESIAN ISLAMIC FINANCIAL INSTITUTIONS	44
Islamic Finance and Banking - Room D - Session 2	
RISK MANAGEMENT MODEL FOR ISLAMIC BANK BASED ON INTEGRATED PORTOFOLIO STRATEGY.....	45
Learning Models In Sharia Economic Department In Forming Student Career Options In The Sharia Financial Industry	46
A COMPARATIVE ANALYSIS ON THE INFLUENCES OF INDUSTRIAL REVOLUTION 4.0 ERA AMONG ISLAMIC FINANCING INSTITUTIONS AND CONVENTIONAL FINANCING INSTITUTIONS IN THE BANGSAMORO AREA, PHILIPPNES	47
Shariah Board Governance, IFSA 2013 and Islamic Banks' Performance	48
Old Wine in a Shariah-Compliant Bottle?: An Empirical Comparison of SRI Sukuk, Social Impact Bonds, and Conventional Bonds	49
Legal Implications of Applying Smart Contract in Islamic Financial Products in Brunei Darussalam	50
Islamic Finance in Ethical and Maqashid Shari'ah Framework - Room E - Session 2	
ANTECEDENT OF CORPORATE SOCIAL RESPONSIBILITY TO THE VALUE OF THE COMPANY THROUGH PROFITABILITY WITH INSTITUTIONAL OWNERSHIP AS A MODERATING VARIABLE	51
Measuring the Performance of Islamic Banks Using Maqasid Sharia in Literature Review	52
State of the Art Review on Achievement-Oriented Leadership and Ihsan Values	53

Community Engagement and Spiritual Leisure: An Effort to Strengthen LAZIS Mentoring Model for SMEs	54
ENTRUSTING GOVERNMENT IN RESOLVING COVID 19 AS PER DISCUSSED BY SHARĪ'AH: ECONOMIC IMPACTS THROUGH GOVERNMENT SUPPORT SCHEME	55
STATE FINANCIAL MANAGEMENT IN ACHIEVING A SUSTAINABLE ECONOMY.....	57
Islamic Management and Entrepreneurship - Room A - Session 3	
The Framework of Strategic Agility in An Islamic Context	58
SMEs PERFORMANCE IMPROVEMENT MODEL THROUGH AGILE LEADERSHIP AND STRATEGIC AGILITY PLANNING.....	59
A Systematic Literature Review of Interpersonal Adaptive Capability: An Islamic Perspective of Human Value Development	60
Inter-Functional Coordination and Customer Relationship Performance: An Islamic Bonding Perspective	61
Islamic Finance and Banking - Room B - Session 3	
THE EFFECT OF INTELECTUAL CAPITAL AND GOOD CORPORATE GOVERNANCE (GCG) ON FINANCIAL PERFORMANCE AND CORPORATE VALUE OF BANKING COMPANIES IN INDONESIA	62
The Role of Islamic Education in Promoting Islamic Banking and Finance in the Philippines	63
Realising the MSME Islamic Financial Inclusion in Indonesia: An Institutional Theory Perspective .	64
Economic Thought of Zubair Hasan	65
Managing Islamic Financial Planning Inclusion in Indonesia	66
Islamic Social Finance - Room C - Session 3	
The Efficiency of Zakat Collection and Distribution in Indonesia	67
Christian Tithe <i>vis-a-vis</i> Islamic Zakat Concept: A Comparative Study in Socio-Economic Scope	68
The Strategy of Yogyakarta Jogokaryan Masjid in Economic Empowerment Program.....	69
DEVELOPMENT OF ISLAMIC SOCIAL FINANCE: A BRIEF REVIEW OF COMPARISON IN SELECTED ASEAN COUNTRIES	70
EFFICIENT ZAKAT DISTRIBUTION: IMPACT OF FINTECH ADOPTION AMONG ASNAF	71
The Role Islamic Crowd-Investing for Sustainable Agriculture in Indonesia	72
Islamic Social Finance - Room D - Session 3	
ZAKAT AS A SOCIAL FINANCING PLATFORMS TO END POVERTY IN LANA DEL SUR, BANGSAMORO AREA, PHILIPPINES	73
Economic Significance Of Mosque In Socio-Economic Development: A Preliminary Study	74
التحديات الشرعية في استخدام الوقف لمواجهة الجائحة العالمية كوفيد-19	75

A CONCEPTUAL PAPER ON DEVELOPING MUSHARAKAH MUTANAQISAH MODEL USING ZAKAT FUND FOR EMPOWERING REFUGEES	76
---	-----------

Islamic Digital Economy and Fintech - Room E - Session 3

Islamic Fintech Scheme in Indonesia: A Debate Among Sharia Scholars and a Proposed Model.....	77
--	-----------

IMPROVING PERSONAL FINANCIAL MANAGEMENT THROUGH FINTECH, SUBJECTIVE NORM, FINANCIAL CAPABILITY AND SPIRITUAL INTELLIGENCE	78
--	-----------

The Contribution of Social Media as a Strategy in Promoting a Sustainable Development for a Balance Ecosystem in the Bangsamoro Area, Philippines.....	79
---	-----------

Big Data Analytics to Navigate Covid-19 Economic Shocks in ASEAN	80
---	-----------

Shariah-Compliance of Islamic P2P Lending Practices: Identification of Issues and Way Forward..	81
--	-----------

THE ROLE OF DIGITAL BUSINESS COMMUNITY DURING COVID-19 PANDEMIC: AN ISLAMIC PERSPECTIVE.....	82
---	-----------

CAN DIGITAL BANKING STRENGTHEN ISLAMIC BANKING COMPETITIVENESS? BETWEEN TRUST AND SCEPTICISM	83
---	-----------

SHARING ECONOMY IN THE 4TH INDUSTRIAL REVOLUTION: ISLAMIC LAW'S PERSPECTIVE..	84
--	-----------

Islamic Social Finance - Room A - Session 4

EXPLORING BLENDED FINANCE AS A POTENTIAL TOOL FOR FINANCING SUSTAINABLE ECONOMIC RECOVERY POST COVID19 PANDEMIC	85
--	-----------

SALES LOAN MODEL (INSTALLATION) IN NON-BANK ISLAMIC FINANCIAL INSTITUTIONS (Case Study at Non-Bank Islamic Financial Institutions in Ponorogo City)	86
--	-----------

The Role of Zakat in Helping Local MSMEs Due to the Impact of Covid-19: A Case Study in Brunei	87
---	-----------

DETERMINANTS OF WAQF INTEREST THROUGH MONEY IN MILLENNIAL MUSLIM GENERATION (GEN-M).....	88
---	-----------

Islamic Finance and Banking - Room B - Session 4

SWOT ANALYSIS OF MARKETING STRATEGY ON SHARIA FINANCIAL INSTITUTION SERVICES (CASE STUDY IN BMT LA TANSAN PONOROGO).....	89
---	-----------

ISLAMIC FINANCING FOR INFRASTRUCTURE PROJECT: THE CASE OF THE PROVINCE OF LANA DEL SUR, PHILIPPINES	90
--	-----------

THE INFLUENCE OF MUSYARAKAH, MURABAHAH AND QARDHUL HASAN ON FALAH PROFIT OF SHARIA COMMERCIAL BANKS.....	91
---	-----------

ANALYSIS OF PROCEDURE FOR RESOLUTION OF BANKRUPTCY AND DEBT DELAY.....	92
---	-----------

SRI <i>Sukuk</i> Models for Funding Affordable Housing: A Qualitative Inquiry into Stakeholders' Perspectives.....	93
---	-----------

Islamic Finance in Ethical and Maqashid Shari'ah Framework - Room C - Session 4

SPIRITUAL LEADERSHIP: WHAT ARE THE IMPORTANT ROLES DURING COVID-19	
---	--

CRISIS?	94
Revisited Determination of Social Value Toward Islamic Money Demand in Indonesia.....	95
A Comparative Analysis on the Performance of Investment Linked Plan for Insurance and Takafulin Malaysia	96
THE ROLE OF PHILANTHROPY ACTIVITIES IN ISLAMIC BANKING: A STRATEGY TO ACHIEVE SUSTAINABLE DEVELOPMENT GOALS.....	97
COMPETITIVE SOCIAL CAPITAL SEBAGAI COLLABORATIVE LEARNING ANTAR USAHA KECIL DAN MENENGAH MENINGKATKAN KINERJA	98
SKALA PRIORITAS DIRECTING CREATIVITY CHOICE SEBAGAI MODAL CAPITAL USAHA KECIL MENENGAH MENGHADAPI KRISIS	99
SHIFTING THE ENTREPRENEURIAL PARADIGM IN LINE WITH ISLAMIC FINANCE: KEY ISSUES IN HUMAN DEVELOPMENT AND WAYS FORWARD	100
Islamic Finance and Banking - Room D - Session 4	
Evaluate the Efficiency of Financing Risk Management Using the Return on Equity Modified Model (DuPont) Palestinian Islamic Banks Case Study	101
Fundamental Issues of Human Capital Skills to Growth of Islamic Banking in Pakistan: A KECS Framework.....	102
Towards Combining Principles and Core Practices: A Framework for Islamic Finance.....	103
RISKS MANAGEMENT PRACTICES AND DISCLOSURE IN ISLAMIC BANKS: A REVIEW OF THE LITERATURE.....	104
HOW WAQF SOLVES BACKLOGS.....	105
Upskilling and Re-Skilling in Islamic Finance Human Capital Development: A Multi or Inter Disciplinary Perspective?	106
COMPLEMENTARY CURRENCY FROM ISLAMIC PERSPECTIVE	107
Islamic Finance's Contribution to the Health Issues - Room E - Session 4	
Role of COVID-19 Pandemic on Retirement Plans Among the Working Population in Malaysia	108
Microtakaful for B40 Community: A Sustainable Tool during Covid-19 Pandemic.....	109
Financial Relief Under Pandemic Covid-19: Comparative Study on Malaysia, Brunei & Indonesia.	110
A Comparative Analysis on the Performance of Investment Linked Plan for Insurance and Takaful in Malaysia	111
The Emergence of Crowdfunding During Covid-19 in Brunei Darussalam: A Breakthrough.....	112

Acknowledgement

Assoc. Prof. Dr. Murniati Mukhlisin, M.Acc, CFP

Rector of Tazkia Islamic University College



Assalamu'alaikum warahmatullahi wabarakaatuh

First of all, let us thank Allah SWT for permitting us to be here, despite the Covid-19 pandemic that still require us to limit our physical interaction. Secondly, I would like to express my gratitude to the organizing committee for their hard work and dedication in preparing the 8th AICIF conference this year. I sincerely thank the International Council of Islamic Finance Educators board, which is the engine behind the networking of ASEAN Islamic educators. The credit also goes to all co-organizers for their contribution to make this conference possible despite such a difficult situation we are in. *Jazaakumullah khairan katsiran.*

When I announced Tazkia's willingness to be the host of the 8th AICIF, in Unida last year, I immediately promoted Bogor with all its places of interests that we could visit after the conference. Unfortunately, it is impossible now due to current travel limitation that we endure due to pandemic. Therefore, many of you are not able to physically enjoy the beauty of Bogor, however the organizer has prepared a virtual sightseeing which I hope you will find it exciting. The Covid-19 pandemic has impacted many people's live, just as what has been described in QS Al-Baqarah (2): 155 that Allah SWT tests mankind through fear, hunger, loss of wealth, lives and fruits. However, Allah SWT has promised that He would offer good tidings to those who remain patient. I still promise you that we will become a host again someday, and will entertain you with the real Bogor, so please be patient.

In my speech today, I would like to address whether we as educators and researchers have contributed something to the ummah through Islamic economics and finance. This may be too early to tell, but we should carry out serious research to respond to this question and seek recommendation for our future course of action.

In my early stage of research analyzing 250 Islamic economics papers from 2014-2020 shows that the contribution of Islamic economic studies toward economic growth has positive trend. Global Islamic Economy Indicator (GIEI) score released by Dinar Standard is shown to be significantly related to Gross Domestic Product (GDP) of each country. However, numbers of researchers, R&D cost, and gross enrollment are not significant enough to influence both GIEI and GDP. The research suggests that more investments in all countries are required to ensure the increase in number of researchers and research costs which eventually would result to the increase in number of researches. When number of researches increases, it is expected that it would contribute more positively towards the GIEI and GDP of each country. This research also finds that research direction of the studies under review mostly employ post-positivism and constructivism–interpretivism paradigms with countries being researched are mostly Malaysia, UAE and Indonesia. That's from macro development perspective.

From micro development side, I have observed 21,193 participants attended Islamic personal finance training between 2011-2020, consists of 90 percent Muslim participants, 90 percent Indonesians living in 28 different countries. I found that 80% of the participants have not fully embraced shariah finance in their daily life. It covers right from engaging Islamic finance various products and services, understanding Islamic contracts, calculating personal zakat and resolving issues on inheritance. I even have observed that many Islamic economics and finance educators, researchers, practitioners have not embraced real shariah practices in their daily life. It seems to them, perhaps to us, Islamic economics and finance are mere formality.

Thus, I absolutely agree that we should ensure stability of the socio-economic and financial systems with the present challenges in advancing the human development. Therefore, I urge everyone here to form a solid cemented structure that is mentioned in QS As-Saff (61): 4 in order to address human development issues. Today, we have a very difficult task. Yes, we have successfully produced nearly a million alumni studied Islamic economics and finance in our respective universities but we are in grey area whether they spent years just to get a degree and a good career, or they turn up to be agents of change themselves and became better persons with *akhlaqul karimah*, as well as ready to deliver change in their societies.

Amidst with the current advancement in technology, Al-Qur'an remains valid to address to this pertinent question, let's shape our students with Al-Qur'an, integrate our academic curriculum and co-curriculum activities with Al-Qur'an, and change of research paradigm with Al-Qur'an. With that, I conclude my speech.

Thank you.

Wassalamu 'alaikum warahmatullahi wabarakaatuh

Rundown

THE 8th AICIF TAZKIA ISLAMIC UNIVERSITY COLLEGE “Islamic Finance's Contribution to Sustainable Human Development in Asean” NOVEMBER 24 - 26, 2020

Day 1: Tuesday, November 24, 2020

Time	Agenda
08.00 - 08.30	Registration (30’')
08.30 - 09.00	Opening, Recitation of Holy Qur’an, Video of Tazkia Islamic University College, Indonesia Raya & Hymne IAI Tazkia (30’')
09.00 - 10.00	Opening Session 1. Opening Speech by Host of 8th AICIF 2020 a. Assoc. Prof. Dr. Muhammad Syafi’i Antonio, M.Ec (20’') Founder of Tazkia Cendekia b. Assoc. Prof. Dr. Murniati Mukhlisin, M.Acc, CFP (20’') Rector of Tazkia Islamic University College 2. Opening Speech by Co-Host of 8th AICIF 2020 (20’') a. Prof. Al Makin, MA, Ph.D Rector’s of UIN Sunan Kalijaga Yogyakarta
10.00 - 12.00	Keynote Speaker ▪ Mr. Priyono (20’') Director of the Department of Sharia Economics and Finance, Bank Indonesia Panel Speaker I Sub-Theme: ASEAN Halal Industry and Islamic Finance in Sustainable Development Programs 1. Assoc. Prof. Dr. Nurul Aini Muhamed (30’') University Sains Islam Malaysia 2. Dr. Hakimah Yaacob (30’') Senior Assistant Professor, Faculty of Islamic Economics & Finance, University of Sultan Sharif Ali, Brunei Darussalam 3. Dr. Indra, M.Si, (30’') Tazkia Islamic University College, Indonesia
12.00 - 13.00	Break (60’')
13.00 - 15.00	Panel Speakers II Sub-Theme: Islamic Finance and Sustainable Development Issues in Asean Perspective 1. Professor Dr. Hasanuddin Abdul Aziz (30’') International Islamic University Malaysia 2. Assoc. Prof. Dr. Muhammad Abduh (30’') University of Brunei Darussalam 3. Dr. Sutan Emir Hidayat (30’') National Committee of Economy and Islamic Finance (KNEKS)
15.00 – 15.30	Break
15.30 – 17.30	Panel Speakers III

	<p>Sub-Theme: Islamic Social Finance and Sustainable Development Issues in Asean Perspective</p> <p>1. Prof. Dr. Salina Kasim (30'') Dean of International Institute of Islamic Banking and Finance (IiBF)</p> <p>2. Dr. Bayu Taufik Pasuma (30'') Tazkia Islamic University College</p> <p>3. Prof. Dr. Zurina Shafii (30'') University Sains Islam Malaysia</p>
17.30 - 18.00	Closing

Day 2: Wednesday, November 25, 2020

Time	Agenda
08.30 - 09.00	Registration (30'')
09.00 – 12.00	<p>Panel Speakers I</p> <p><i>Sub-Theme: Islamic Finance Education and Community Development</i></p> <p>1. Assoc. Prof. Dr. Syed Musa Syed Jaafar Alhabshi (30'') ICIFE/ International Islamic University Malaysia</p> <p>2. Dr. Khoirul Umam (30'') University of Darussalam (UNIDA) Gontor</p> <p>3. Assoc. Prof. Dr. Abdurrahman Haqqi (30'') University Islam Sultan Sharif Ali</p> <p>4. Dr. Afif Zaerofi, S.Pd., MM., (30'') Tazkia Islamic University College</p> <p>5. Dr. Minombao P. Ramos-Mayo (30'') Graduate School Mindanao State University, Marawi City Philippines</p>
12.00 – 13.00	Lunch Break and Dhuhur Prayer (60'')
13.00 - 15.00	<p>Panel Speakers II</p> <p><i>Sub-Theme: The role of Islamic Banking in community Development</i></p> <p>1. Mr. Romy Buchari, (30'') PT Maybank Indonesia, tbk</p> <p>2. Dr. Ken Sudarti, M.Si Sultan Agung Islamic University (UNISSULA)</p> <p><i>Sub-Theme: Islamic Micro Finance and Sustainable Development Goals</i></p> <p>1. Dr. Yulizar Djamaluddin Sanrego, M.Ec, (30'') University of Darussalam (UNIDA) Gontor</p> <p>2. Prof. Dr. Abdul Ghaffar (30'') Universiti Sains Islam Malaysia (USIM)</p>
15.00 – 15.30	Break
15.30 – 17.30	<p>Parallel Session I</p> <p>a. Colloquium</p> <p>b. Paper Presentation</p> <p>c. Project Video</p>

17.30 - 18.30	Closing for Participants, Break for Committee
19.30 - 20.30	Discuss for ICIFE Members

Day 3: Thursday, November 26, 2020

Time	Agenda
08.30 - 09.00	Registration (30'')
09.00–10.00	Rector's Talk <ol style="list-style-type: none"> 1. Assoc. Prof. Dr. Murniati Mukhlisin, M.Acc, CFP (20'') Rector of Tazkia Islamic University College 2. Prof. Dr. Amal Fathullah Zarkasyi, M.A (20'') Rector of Darussalam Gontor University 3. Prof. Dr. Bedjo Santoso (20'') Rector of Sultan Agung Islamic University 4. Dr. Habib W. Macaayong President, MSU system, Philippines
10.00–12.00	Parallel Session II <ol style="list-style-type: none"> a. Colloquium b. Paper Presentation c. Project Video
12.00–13.00	Break (60'')
13.00-15.00	Parallel Session III <ol style="list-style-type: none"> a. Colloquium b. Paper Presentation c. Project Video
15.00–15.30	Break
15.30–17.30	Parallel Session IV <ol style="list-style-type: none"> a. Colloquium b. Paper Presentation c. Project Video
17.30- 18.00	Appreciation for Best Paper and Closing

The Role of Philanthropy Activities in Islamic Banking: A Strategy to Achieve Sustainable Development Goals

Siti Sumiati

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Abstract

The purpose of Philanthropy activities is manifested in Corporate Social Responsibility activities which consist of 3 aspects, namely CSR Economic Performance, CSR Environment Performance and CSR Social Performance. This activity is one of the keys to achieving the Sustainable Development Goals (SDG's) program. The success of the SDG program can be seen from the company's benefits which are presented in financial performance. Islamic banking systems that benefit by balancing between business and social can be an important indicator in the SDG's. The population in this study are all Islamic banks in Indonesia. The sampling method used was purposive random sampling with the criteria of Islamic banks to issue annual financial reports and sustainability report. The results of the study are expected to be the basis for decision making by Islamic bank managers in optimizing Corporate Social Responsibility so as to improve financial performance.

Keywords: *Philanthropy activities, CSR Economic Performance, CSR Environment Performance, CSR Social Performance, financial performance, Islamic Bank.*

I. Introduction

The issue of strategies for the success of Sustainable Development Goals (SDGs) is an interesting issue among academics in various countries (Elalfy *et al.*, 2020; Saz-Gil *et al.*, 2020; Setó-Pamies and Papaoikonomou, 2020). Various research models have been carried out in various countries to find suitable strategies in helping the success of SDGs such as in Indonesia (Apriliyani and Novita, 2019; Kurnia *et al.*, 2020), Myanmar (Barkemeyer and Miklian, 2019) and Italy (De Luca *et al.*, 2020; Izzo, Ciaburri and Tiscini, 2020). SDGs is a development effort that includes economic, environmental and social aspects as well as welfare to achieve a better quality of life for people (Apriliyani and Novita, 2019). The SDGs are to ensure future generations have the ability to meet their needs and carry on life in a better future. One of the indicators to support the realization of SDGs is by increasing the company's financial performance, which is presented through company profits so that the company's sustainability goals can be achieved. If the company is profitable, it is hoped that

the company will also be more developed and can provide jobs for the community and help reduce poverty. One of the objectives of SDGs is to reduce the poverty rate in Indonesia (Indonesia Statistics, 2014).

Activities that can drive the success of SDGs are corporate philanthropic activities. Corporate philanthropy can be considered as a company bridge to strengthen public relations through a broader concept of Corporate Social Responsibility (CSR) (Razzaq, 2016). CSR is defined as a company's efforts to contribute to stakeholders (Sumiati and Sueztianingrum, 2020). CSR is also a way in which company strategy and practice, namely a business model affects external stakeholders and internal stakeholders of the company (Sumiati and Sueztianingrum, 2020). CSR activities have a contribution to drive the achievement of SDGs in 2030. Another benefit of CSR is to mitigate the company's business risk so that it can maintain its competitive advantage compared to other companies (Razzaq, 2016).

Islamic Bank is a business entity or part of a business entity in the form of a limited liability company (Razzaq, 2016). Law No.21 of 2008 has stated that there is a social function, in addition to the economic function of Islamic banks (Razzaq, 2016). Other laws and regulations that emphasize this social function are Law Number 40 of 2007 which regulates the issue of Social and Environmental Responsibility which is a Limited Liability Company commitment to participate in sustainable economic development in order to improve the quality of life and the environment that is beneficial to the Company Limited to itself, the local community, and society in general.

Islamic banks in Indonesia, apart from carrying out their function as institutions that provide savings and loan services to and from the public, as well as providing several other financial services, Islamic banks also carry out activities that are generous on the basis of love for fellow humans by carrying out philanthropic activities (Razzaq, 2016). This philanthropic activity aims to touch important aspects in the context of sustainable development (Razzaq, 2016). This concept is what brings together philanthropic activities realized with corporate CSR to improve SDGs (Matuszak and Róžańska, 2018).

According to Global Reporting Initiative (2013), it is divided into 3 important aspects, namely CSR for economic performance, CSR for environmental performance and CSR for social performance. The CSR phenomenon according to Mustafa and Handayani (2011) reveals that the company's goal is to maximize profits, whereas in corporate social responsibility, it considers that CSR will add costs because extra costs must be spent for social activities. This is supported by Lako (2011), which states that business people often

perceive CSR as a burden, not as a long-term investment that brings economic benefits to the company. Therefore, many companies do not understand the benefits of CSR activities.

Research on CSR and financial performance has been carried out by many academics. The results of the study prove that CSR has a significant positive effect on financial performance (Chaudhary, 2005; Pan *et al.*, 2014; Kim, 2015; Lin, Chang and Dang, 2015; Kang and Wee, 2017). On the other hand, research on CSR and financial performance also yields conflicting results. Some researchers also prove that CSR has a significant negative effect on financial performance (Moslemany and Etab, 2017; Dabor, Kaka and Idogen, 2018; Fijałkowska, Zyznarska-Dworczak and Garsztka, 2018; Haslinda, Nor Khadijah and Faizah, 2018; Matuszak and Róžańska, 2018).

Based on this phenomenon and research gap, it is necessary to re-research the effect of CSR on financial performance. Therefore, the purpose of this study is about the role of CSR in economic performance, CSR environmental performance and CSR social performance in improving financial performance.

The novelty in this study is to break down CSR into 3 aspects so that this study can find out in more detail the effect of CSR through these 3 aspects on financial performance and financial performance acts as a driver of success in SDGs.

II. Literature Review

Stakeholder theory is a concept of corporate responsibility towards stakeholders such as shareholders, creditors, consumers, suppliers, government, society, analysts, employees and other parties related to the company (Apriliyani and Novita, 2019). Stakeholder theory also means that it is a basic concept that can explain social and environmental disclosures (Moslemany and Etab, 2017). In this theory, a company is not an entity that only operates for its own interests, but must also provide benefits to its stakeholders. This means that stakeholder theory can be a basic concept of CSR.

According to (Simionescu and Dumitrescu, 2018) states that CSR is a form of corporate obligation that is carried out voluntarily in order to provide a positive response to employees, clients, the environment, the local community, as well as the obligation to support performance that aims to improve financial performance in the long term and play a role as a sustainable business development. CSR activities are a way for companies to communicate in solving problems with society (Erica, Chris van and Steven, 2011). Based on this, it means that CSR can be concluded as a company obligation that is carried out voluntarily by providing benefits to company stakeholders as well as improving the company's financial

performance to support the sustainability of the company's operations. CSR indicators are measured using the GRI guidelines.

Financial performance is an important aspect of corporate sustainability. The condition of financial performance is also an important indicator of the company's sustainability because the company's financial performance can see whether the company is good or bad. Therefore, financial performance is an important resource for achieving company goals (M, Ali and Habbe, 2012). Some researchers use the ROA indicator in examining financial performance (Chaudhary, 2005; Pan *et al.*, 2014; Kim, 2015; Lin, Chang and Dang, 2015; Kang and Wee, 2017). ROA indicator is formulated with profit after interest and taxes divided by total assets.

Various studies on CSR have been conducted. The results of the study prove that CSR has a positive effect on financial performance (Chaudhary, 2005; Pan *et al.*, 2014; Kim, 2015; Lin, Chang and Dang, 2015; Kang and Wee, 2017). Research conducted by Lin, Chang and Dang (2015) on the America Stock Market tested the effect of CSR on financial performance and obtained significant positive results between CSR and financial performance. Another study, conducted by Kim (2015) also proved significant positive results between CSR and financial performance as measured by ROA in companies located in Korea. Researchers from the State of Egypt (Kang and Wee, 2017) also examined CSR and financial performance on the Egyptian stock exchange (EGX) and obtained significant positive results between CSR and financial performance. Researchers from China (Pan *et al.*, 2014) also examined CSR and financial performance focused on mining sector companies in China, the results also proved that CSR had a significant positive effect on financial performance. Hence, the research hypotheses are:

H1 = CSR economic performance has a significant positive effect on financial performance

H2 = CSR environment performance has a significant positive effect on financial performance

H3 = CSS social performance has a significant positive effect on financial performance

Conceptual framework:

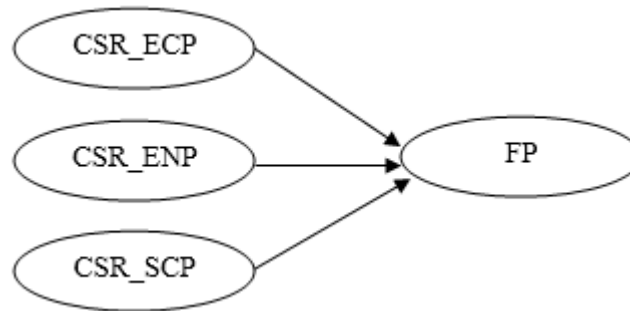


Figure 1. The Role of Philanthropy Activities in Islamic Banking: A Strategy to Achieve Sustainable Development Goals

III. Methodology

This type of research includes explanatory research. The variables in this study are CSR economic performance, CSR environment performance, CSR social performance as independent variables measured using the GRI Index (G-4) in the sustainability report. Financial performance variable as the dependent variable is measured by using ROA in the annual report. The population in this study used 13 Islamic bank companies and 19 conventional banks. The sample selection used purposive non-random sampling in order to obtain 4 samples of Islamic bank companies and 8 samples of conventional banks during 2010-2019 that met the sample criteria. Hypothesis testing uses multiple regression analysis. The regression equation model is as follows:

$$FP = \alpha + \beta \text{ CSR_ECP} + \beta \text{ CSR_ENP} + \beta \text{ CSR_SCP} + \varepsilon$$

IV. Results and Analysis

Descriptive Statistics

The description of each data variable that has been processed includes the mean, median, maximum, minimum, and standard deviation values in this study are as follows:

Table 1. Descriptive Statistics

	FP	CSR_ECP	CSR_ENP	CSR_SCP
Mean	1.969167	0.567000	0.233083	0.332083
Median	1.820000	0.520000	0.160000	0.250000
Maximum	5.570000	1.000000	1.000000	1.000000
Minimum	-3.600000	0.000000	0.000000	0.040000
Std. Dev.	1.290952	0.251395	0.253181	0.239045
Skewness	-0.319661	0.229900	1.846302	1.331973
Kurtosis	4.802515	2.139404	5.540211	3.874721
Jarque-Bera	18.28897	4.760209	100.4400	39.30871
Probability	0.000107	0.092541	0.000000	0.000000
Sum	236.3000	68.04000	27.97000	39.85000
Sum Sq. Dev.	198.3203	7.520720	7.627959	6.799979
Observations	120	120	120	120

Source: Secondary data processed, 2020.

Based on the statistical descriptive results of 120 observational data, the average comparison of CSR economic performance activities is 56.7%, CSR environment performance is 23.3% and CSR social performance is 33.2%. It can be seen that banks allocate more funds towards CSR economic performance than CSR environment performance and CSR social performance. At least, the allocation of funds is used for CSR environment performance activities. This is probably because banking companies are companies engaged in financial services so that economic aspects are prioritized over environmental or social aspects.

Regression

The results of the regression test analysis are presented in table 2 below:

Table 2. Regression Analysis

Dependent Variable: FP				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
CSR_ECP	-0.376308	0.269823	-1.394645	0.1661
CSR_ENP	0.380070	0.159794	2.378502	0.0192
CSR_SCP	-0.047245	0.169233	-0.279170	0.7807

Source: Output Eviews 10, 2020.

Based on the results of the statistical regression test, it was obtained that the CSR economic performance coefficient was -0.376308 with a probability value of $0.1661 > 0.05$, which means that CSR economic performance has no significant effect on financial

performance. The CSR environment performance test results obtained a coefficient of 0.380070 with a probability value of $0.0192 < 0.05$, which means that CSR environment performance has a significant positive effect on financial performance. The CSR social performance test results obtained a coefficient of -0.047245 with a probability value of $0.7807 > 0.05$, which means that CSR social performance has no significant effect on financial performance.

CSR economic performance and CSR social performance activities are corporate social responsibility activities in economic and social aspects which are expected to provide benefits for the company by increasing the company's financial performance and benefits for the welfare of the company's stakeholders. The allocation of company funds based on statistical descriptive data shows that the average CSR economic performance and CSR social performance are more than CSR environment performance. However, in reality, based on the results of statistical testing, CSR environment performance has a significant positive effect on financial performance than CSR economic performance and CSR social performance which have no effect on financial performance.

The funds allocated for CSR economic performance and CSR social performance so far are only for carrying out company responsibilities to fulfill company obligations and fulfill obligations based on regulations from the government its self. Another reason, possibly because banking is a company engaged in financial services, so that it prioritizes corporate obligations on economic and social aspects only, but it turns out that these activities are not able to increase company profits through financial performance because even though the company implements CSR, the company does not really understand the CSR activities.

CSR environment performance has the potential to increase the company's financial performance, although the percentage of the allocation of funds is given to the environmental aspect, it turns out that CSR environment performance can provide benefits for the company through increased financial performance. This is probably because the company's CSR environment performance has succeeded in reducing environmental damage around the company so that the company can save on operational costs incurred. In addition, through the environment, it can also create a positive image for the company so that people have confidence that a company during its operations does not disturb the environment or harm the surrounding community. This can support the company's sustainability so that the company can generate maximum profit.

V. Conclusion

Based on the results of this analysis, it can be concluded that CSR environment performance has the potential to improve financial performance. This also means that CSR environment performance is also a driver in the success of SDGs. The implementation of CSR economic performance and CSR social performance may not be optimal, this is probably because the company still has a low understanding of CSR economic performance and CSR social performance, so it is unable to improve financial performance. In addition, it is also seen that the proportion of the allocation of funds given to CSR economic performance, CSR environment performance and CSR social performance is not yet balanced, so it cannot reveal all CSR aspects in the sustainability report.

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